

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held May 29, 2013, in Austin, Texas. The meeting convened at 9:00 a.m. with the following members present:

**Audit Subcommittee Members:**

Fred Underwood	Commissioner, Audit Subcommittee Chair
Jeff Austin, III	Commissioner, Audit Subcommittee Member

**Administrative Staff:**

Benito Ybarra	Chief Audit Executive
John Barton, P.E.	Deputy Executive Director
Jeff Graham	General Counsel

Registration sheets listing others in attendance are on file with the Texas Department of Transportation Audit Office.

A public notice of this meeting containing all items on the proposed agenda was filed in the office of the Secretary of State at 2:58 p.m., May 20, 2013, as required by Chapter 551 of the Government Code, referred to as “The Open Meetings Act”.

Opening remarks were made by Commissioner Underwood, and Commissioner Austin thanking Benito Ybarra, Chief Audit Executive, and his team for their success.

**Item 1. Approval of Minutes from the March 27, 2013, Quarterly Meeting**

The Minutes were presented by Benito Ybarra, Chief Audit Executive, and approved by Commissioner Underwood and Commissioner Austin.

**Item 2. Internal Audits Completed**

There were three audit reports presented this quarter.

Benito Ybarra, Chief Audit Executive, (CAE), summarized and commented on the *Multiple Use Agreements Follow-Up, Ferry Operations, and ProCard Risk Response Audits*.

Craig Otto, Audit Section Director, presented the Management Action Plan (MAP) for the *Multiple Use Agreements Follow-Up Audit*. The objective was to assess the status of corrective actions for high risk MAPs previously communicated in the *Multiple Use Agreement (MUA) Audit Report* issued August 20, 2012.

Multiple Use Agreements allow public entities to use Texas Department of Transportation (TxDOT) Right of Way (ROW) in some restricted capacity at no cost. The original audit assessed MUA execution, oversight of ROW development and oversight of installed facilities.

There were fifteen MAPs to determine if corrective actions were implemented.

- a. Seven corrective actions have been completed and closed.
- b. Eight corrective actions are not completed and required additional action to address identified risks from the original audit report.
- c. One newly identified corrective action was identified and further actions are necessary to properly address the remaining risks.

Commissioner Austin, Benito Ybarra, CAE, and Andy Keith, Maintenance Transportation Engineer Supervisor, discussed finer points of “SharePoint” and other software available for shared access and record storage.

Commissioner Austin questioned Mr. Ybarra about the University of Texas at Austin (UT) students who assisted on the audit. Mr. Ybarra discussed the partnership with UT that allows selected students in the Master’s program to complete course-work in the Audit Office for credit.

The *Ferry Operations Audit* was deferred.

Anthony Thomas, Investigations Manager, presented the first detection audit; *ProCard Risk Response engagement*. The objective of this engagement was to determine potential for misuse in the TxDOT ProCard (Payment Card “PCard”) program and to identify opportunities for strengthening the program.

The PCard currently is a Citibank Commercial MasterCard and has been in use since April 2011. Between April 2011 and December 2012, 207,904 PCard transactions totaling \$23.8M were executed, and a sample of 1,448 transactions were selected for review. Mr. Thomas explained the statistical sampling-based approach using Benford’s Law.

Findings included, incorrect or insufficient supporting documentation, and insufficient supervisory reviews. Documentation was insufficient for 152 of 1,448 (10%) of transactions that were reviewed; however, the dollar impact was low.

Commissioner Underwood, Commissioner Austin, Mr. Thomas and Mr. Ybarra discussed issues in the field, and retraining field technicians. Glenn Hagler, Purchasing Section Director, will provide training and assistance from the Audit Office will be requested, if needed.

### **Item 3. Office of Compliance and Ethics**

Suzanne Latimer, Director of the Office of Compliance and Ethics, presented the updates on the Ethics Policy approved at the March 27, 2013, Audit Subcommittee quarterly meeting.

Employees were required to read and review the new policy. Ninety-four percent of employees affirmed within 30 days. Technical problems with closing out the program online accounted for the other 6%. Field technicians, without computer access, were informed of the policy by their supervisors.

A revised “New Employee Orientation” (NEO) program was created. New employees will have 30 days to complete the program. Janine Mays, Director, Human Resources Division, is featured on the video. Seasonal newsletters will be published with ethics examples.

A proposal to provide ethics training to Professional Engineers (P.E.) as discussed and will be evaluated further. Currently ethics training is provided by out-of-agency sources at a cost, or provided at the annual Transportation Short Course. John Barton, P.E., Deputy Executive Director, and Commissioner Underwood discussed training for Professional Engineers on Engineering Ethics training regarding design and construction.

### **Item 4. Executive Session**

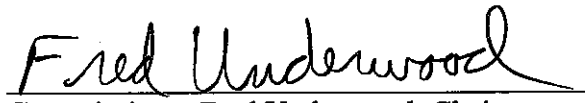
The Executive Session was not deemed necessary.

**Closing Comments**

Commissioner Underwood stated that the next Audit Subcommittee Meeting would be held August 28, 2013. The members thanked all for attending the meeting.

The meeting was adjourned at 9:42 a.m.

APPROVED:

A handwritten signature in cursive script that reads "Fred Underwood". The signature is written in black ink and is positioned above a horizontal line.

Commissioner Fred Underwood, Chair  
Texas Transportation Audit Subcommittee